Message Text

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E.O. 11652: N/A TAGS: PINT, IC

SUBJECT: SOCIAL DEMOCRATS QUIT THREE-PARTY TALKS

REF: (A) REYKJAVIK 1054 (NOTAL); (B) REYKJAVIK 0990 DTG 300850Z JUL 78

BEGIN UNCLASSIFIED.

1. SOCIAL DEMOCRATIC PARTY (SDP) CHAIRMAN BENEDIKT GRONDAL INFORMED INDEPENDENCE PARY (IP) CHAIRMAN GEIR HALLGRIMSSON AUGUST 15 THAT SDP WOULD NOT CONTINUE DISCUSSIONS WITH IP AND PROGRESSIVE PARTY (PP) AIMED AT FORMING COALITION AMONG THEM. AS PREPROTED IN PRESS, GRONDAL STATED THAT PARTY WOULD NOT PARTICIPATE IN PROPOSED IP-PP-SDP COALITION WHICH WOULD APPEAR TO BOTH VOTERS AND SOCIAL DEMOCRATS AS MERELY NEW VERSION OF PERSENT IP-PP GOVERNMENT THAT WAS REJECTED IN JUNE.

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2. FUTURE OF CURRENT ROUND OF NEGOITATIONS NOW IN DOUBT. HALLGRIMSSON STILL HOLDS MANDATE FROM PRESIDENT ELDJARN TO FORM NEXT GOVERNMENT. AFTER AUGUST 14 ROUND OF THREE-PARTY NEGOTIATIONS, IP CHAIRMAN MET WITH PRESIDENT, BUT THERE HAS BEEN NO INDICATION OF SUBSTANCE OF THEIR TALKS. HALLGRIMSSON WILL NOW HAVE TO DECIDE WHETHER TO ATTEMPT NEW COALITION WITHOUT SOCIAL DEMOCRATIC PARTICIPA-

TION OR RETURN MANDATE TO PRESIDENT. END UNCLASSIFIED.

- 3. COMMENT: MEMBERS OF SDP PARLIAMENTARY FACTION HAD MISGIVINGS ABOUT JOINGIN WITH IP AND PP BUT SEEMED WILLING TO GIVE IT A TRY. OBJECTION TO PARTICIPATION IN THIS THREE-PARTY COALITION STEMMED NOT FROM POLICY DIFFERENCES BUT FROM SDP DESIRE TO SHOW THAT IT WAS MORE THAN FIFTH WHEEL (SINCE IP AND PP TOGETHER, WITH 32 ALTHING SEATS, HAVE ENOUGH TO RECONSTITUTE PRESENT TWO-PARTY GOVERNMENT). MOREOVER, SOME SOCIAL DEMOCRATS, DESPITE THEIR ANTIPATHY TOWARD COMMUNIST-LED PEOPLE'S ALLIANCE (PA), STILL FELT THAT ONLY WAY TO GET BROAD BACKING FOR NEW GOVERNMENT WAS TO INCLUDE PA BECAUSE OF THAT PARTY'S STRENGTH AMONG LABOR.
- 4. WITHIN LAST FEW DAYS, SDP HAS BEEN UNDER SOME PRESSURE TO PULL OUT OF THREE-PARTY TALKS AND TRY AGAIN TO FIND BASIS FOR COMPROMISE WITH PA. LARGE GENRAL AND RANSPORT WORKERS' FEDERATION, WHOSE PRESIDENT AND VICE PRESIDENT ARE MEMBERS OF PA AND SDP RESPECTIVELY, CALLED UPON TWO PARTIES TO RESUME TALKS. NOTWITHSTANDING ACRIMONIOUS EXCHANGES BETWEEN MEMBERS OF BOTH PARTIES FOLLOWING BREAKUP OF TALKS AMONG SDP, PA AND PP (REF B), SPECULATION NOW FOCUSES ON RESUMPTION OF INFORMAL DISCUSSIONS BETWEEN SDP AND PA. ONE REPORT SUGGESTS THAT MINORITY SDP-PA GOVERNMENT MAY BE IN OFFING WITH CABINET COMPOSED OF LIMITED OFFICIAL USE

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MEMBERS OF EACH PARTY AS WELL AS NON-POLITICAL FIGURES. LIKE OTHER COALITION ATTEMPTS, THIS WOULD REQUIRE CONSIDERABLE EFFORT TO PULL OFF.
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